

**Accountability for Disaster Assistance:  
Learning From the Past to Plan for the Future**

By the Honorable David M. Walker  
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When I spoke on tsunami relief a year ago in Jakarta, little did I realize that my own country would soon be struck by a disaster of historic proportions. Just last fall, two back-to-back hurricanes struck the city of New Orleans and the coastal region along the Gulf of Mexico.

I visited Banda Aceh soon after the tsunami hit. I'll never forget seeing acres and acres of rubble and debris. Only an occasional building or tree was left standing. Everything else had been swept away. Within minutes, thousands had died or been made homeless.

Following Hurricanes Katrina and Rita, I toured communities in Louisiana and Mississippi and relocation centers in Texas. To be frank, the devastation in some places was as bad as anything I'd seen in Indonesia. Tidal surges had ripped buildings from their foundations and smashed them to pieces. While the death toll was much lower than in South Asia, hundreds of thousands people were forced to flee their homes. Many families are still displaced.

In New Orleans and elsewhere, just as in Banda Aceh, help arrived too slowly in many cases. A number of sick and elderly people survived the storm only to succumb afterward to harsh conditions and a lack of medical attention. In some of the relocation centers, I was the first federal official that evacuees and responsible local officials had encountered. And this was two weeks after the storms had passed through.

What was hard to believe was that this situation was occurring in the United States, one of the wealthiest countries on earth. My government's lack of preparedness was a shock and a disappointment to many Americans, including me.

Many U.S. officials seemed to have little or no appreciation for the lessons of history. The simple fact is that every nation is vulnerable to earthquakes, hurricanes, droughts, and other acts of nature. These events have happened throughout history and they'll continue to happen.

Natural disasters fall into a category of important issues that know no geographic or political boundaries. And this brings me to my main theme this morning. To successfully tackle these challenges, partnering among nations on both a bi-lateral and a multi-lateral basis will be essential. We must join forces with each other and apply our collective knowledge, experience, and expertise to solve shared problems. And, at its heart, that's what this conference is all about.

So, a year and a half after the tsunami swept across the beaches of South Asia and East Africa, where do things stand? The current numbers on the catastrophe are sobering indeed. More than 230,000 people in 12 countries are dead or presumed dead. Upwards of 1.7 million people have been displaced. And property damage exceeds \$10 billion.

On the other hand, the world has rallied to address the related challenges. Citizen and corporate donors, national governments, and international organizations have pledged more than \$13 billion to help get affected individuals and communities back on their feet. In May of last year, my government authorized nearly a billion dollars in tsunami aid. Some of this money went for immediate needs, such as food, shelter, and medicine. Other funds will go to long-term reconstruction projects.

As accountability professionals, our job is to help ensure that aid money is well spent, intended recipients are well served, and funds are protected from waste, fraud, and abuse. Tsunami relief and reconstruction is an important test case for our organizations. By earning the confidence of the international community, we will have a constructive and continuing role to play.

This morning, I'd like to talk about the progress we've made in ensuring accountability over disaster relief funds. In particular, I'm going to discuss recent GAO reports on tsunami relief to South Asia and hurricane relief to the U.S. Gulf Coast. Then I'm going to discuss the need for governments and supreme audit institutions (SAI) to join together, share their expertise, and develop new approaches and solutions to complex issues. Finally, I'm going to talk about additional steps we can take to assure the world that donations are being well spent.

A year ago in my speech in Jakarta, I urged the international auditing community to work together to account for the aid money flowing to South Asia and East Africa. I argued three key principles would be essential: incentives, transparency, and accountability.

Incentives ensure that public officials follow prescribed procedures and spend funds appropriately. Examples would include segregating relief funds from normal accounts, creating a strong governance structure, establishing strong internal controls, and carrying out risk assessments to monitor and test various activities. Another key incentive is sound procurement standards and regulations, which are particularly important when it comes to contracting activities. Transparency is simply public reporting on the receipt, obligation, and spending of funds. This could take the form of printed reports or even Internet postings. Accountability should encompass the regularity (compliance), economy, efficiency, and effectiveness dimensions. Accountability requires both financial and performance audits of disaster assistance efforts. Both civil and criminal sanctions should be available and used in appropriate circumstances.

So, what progress has been made when it comes to incentives, transparency, and accountability? For answers, I'm going to turn to recent work from my own agency, the U.S. Government Accountability Office (GAO).

At GAO, overseeing responses to natural disasters is nothing new. In the late 1990s, massive hurricanes struck Central America, the Caribbean, and the state of Florida. Since then, GAO has been monitoring reconstruction efforts in those regions.

Recent GAO work in two areas seems particularly relevant to this conference. The first area is the U.S. government's response to Hurricane Katrina. The second area is the Agency for International Development's (USAID) reconstruction efforts in South Asia.

Let me speak first about our Hurricane Katrina work. GAO now has a large and growing body of work on our federal government's relief, recovery, and rebuilding efforts. In fact, we have nearly 40 different jobs underway in this area. GAO's preliminary observations on preparedness, response, and recovery issues paint a mixed picture.

At the federal, state, and local levels, a few government agencies came through with flying colors. But many agencies fell far short of expectations. This situation was particularly disturbing given that GAO identified many of the same response problems back in 1993 following Hurricane Andrew. These included shortcomings in vital areas like emergency communications, supplies, and equipment.

Again, it seems that the lessons of history fell on deaf ears. I'm reminded of the famous remark from the philosopher George Santanyana (SAN-TAI-YAN-AH), "those who cannot remember the past are condemned to repeat it."

Many factors contributed to the disappointing results following Katrina, including poor coordination among various levels of government. But inadequate incentives, transparency, and accountability mechanisms were clearly a major factor.

So far, Congress has appropriated \$68 billion to assist victims and rebuild the Gulf Coast, with more to follow. Unfortunately, GAO, working with the Inspectors General and state and local auditors, has chronicled a litany of internal control breakdowns. These breakdowns led to the misuse of huge amounts of taxpayer dollars.

For example, GAO identified extensive questionable payments. In one instance, an individual obtained more than \$100,000 by using multiple addresses and fake personal identifications. GAO also found that some victims had used their emergency assistance money for questionable subsistence purchases like firearms and even wedding rings. A recent GAO report estimates that out of \$6.3 billion in assistance payments, fraudulent or improper payments totaled between \$600 million and \$1.4 billion. That's as much as one fifth of the aid money paid out!

On the other hand, my government's National Finance Center (NFC) is a case study in sound preparation for natural disaster. NFC provides a range of payroll, accounting, and related services to many federal agencies, including GAO. Despite its location in the heart of New Orleans, NFC stayed up and running. Why? It evaluated its risks and established backup locations as an internal control measure. When the storm struck, management was ready and the center carried out its mission without a hitch. Hundreds

of thousands of federal workers were paid on time and accounting services continued uninterrupted.

GAO's results are preliminary, but a key lesson is already clear: Planning ahead makes a difference.

- First, during natural disasters, it's critically important that leadership roles are clearly defined and effectively communicated.
- Second, national response plans need to be clear, consistent, and employ common sense. A "business-as-usual" approach just won't cut it.
- Third, if government is to be ready when it's needed most, strong advance planning, training, and exercise programs are vital.
- Fourth, decision making based on sound risk management approaches is needed to build a nation's response capabilities. Such decision making should take into account current and expected budgetary constraints.

It's also clear that our federal government will be working for some time with state and local governments to rebuild the Gulf Coast. What's needed now is consensus on where and how much to rebuild, who should pay for it, and the oversight to ensure that taxpayer dollars are spent appropriately.

Unfortunately, shortcomings in government preparedness are widespread. Just this month, GAO warned that the tsunami alert system for the West Coast of the United States is ineffective. It turns out this system cannot transmit messages to some high-risk coastal areas. Also, the system has sent out too many false alerts, which has created public apathy.

Now, I'd like to speak about GAO's recent report on reconstruction efforts by the U.S. Agency for International Development (USAID) in Indonesia and Sri Lanka. USAID plans to spend nearly \$500 million in these two countries to restore roads, bridges, schools, and other infrastructure.

GAO did raise concerns about cost increases for materials, labor, and fuel for USAID's infrastructure projects. On the other hand, USAID seems to be taking seriously the need for appropriate incentives, transparency, and accountability mechanisms.

Among other things, USAID has increased financial and technical oversight for its tsunami recovery projects. For financial oversight, USAID is arranging for a concurrent audit of its major road project in Aceh Province. For technical oversight, USAID has added staff to oversee major construction projects and has sought additional engineering expertise from another U.S. agency.

Another goal has been to strengthen accountability at the local level. For example, USAID is providing technical assistance and training to help Indonesian auditors track

how various Indonesian ministries are handling donor funds. In the case of Sri Lanka, USAID has hired a consultant to work with the Sri Lankan Office of the Auditor General. USAID also supports the Sri Lankan commission investigating allegations of bribery and corruption.

Whenever possible, individuals in charge of program execution need to think about partnering for progress. SAIs should do the same on both a bi-lateral and multi-lateral basis. After all, in the 21<sup>st</sup> century, we must reach across institutional, geopolitical, and ideological lines to address common challenges.

GAO has taken this lesson to heart. In our Hurricane Katrina work, we've matrixed internally, coordinating experts from across GAO to add value and reduce risks on various assignments. We've found that a more collaborative, integrated approach to doing our work yields positive results.

Partnering externally has also been important. On our hurricane work, GAO has been working with a range of domestic entities to strengthen accountability and avoid duplication of effort. I'd include here various Offices of Inspector General as well as selected state and local auditors. On tsunami oversight, we've been closely coordinating with international entities. These include the Inspector General at USAID, our SAI counterparts in both Indonesia and Sri Lanka, and various other INTOSAI members.

The larger the size of a natural disaster, the greater the need for partnering among key players from many countries and many organizations. When it comes to relief money, SAIs should join forces to ensure that funds are spent efficiently and effectively. This is equally true for immediate relief and long-term reconstruction efforts.

The INTOSAI task force, chaired by Saskia Stuiveling, the Auditor General of the Netherlands, has sought to mobilize the international auditing community on this very issue. I want to commend Saskia for her leadership in helping to build capacity, ensure accountability, and bring greater transparency to the distribution of tsunami relief and reconstruction money. These efforts embody the goals and values in INTOSAI's new strategic plan.

In collaboration with the World Bank, the Asia Development Bank, and the United Nations, the task force is exploring a potentially powerful new tool to enhance the transparency of tsunami relief and reconstruction funds. Specifically, the geographic information system, or GIS, can take data from a specific location and display it visually on an electronic map. This could include data on infrastructure, demographics, or even land ownership. GIS also allows users to layer data from various sources on a single map.

GAO has successfully used GIS on several of our past jobs. In the case of tsunami funds, GIS could potentially allow auditors to visually track the use of donor assistance on the ground. Imagine being able to click a button and regularly monitor progress on a highway project or a new water system.

So what is the agenda going forward? Clearly, elected officials should make full use of SAIs to oversee the use of immediate aid — temporary shelter, food and water, and cash. But in the long term, a sustained, coordinated strategy is necessary to ensure that funds are not wasted as roads, clinics, and other infrastructure are rebuilt. I'm hopeful that, as SAIs in recipient countries build their capacities, we'll see national governments become more responsible stewards of donor funds.

SAIs will need to do risk assessments and partner with those on the ground to target limited resources. As we've learned from Katrina, contingency planning is essential. Individuals in charge of reconstruction projects must take into account the likelihood of cost overruns and changes to planning schedules. Adequate security is also key. For example, immediately after the hurricane, civil unrest in New Orleans prevented contractors from entering hard-hit areas. This delayed the delivery of vital assistance to many victims.

To establish effective overall oversight, governments will need to partner with non-government organizations, such as private sector audit firms. These firms can help evaluate the progress of government agencies and institutions like the Red Cross, the Red Crescent, and the World Health Organization in meeting their objectives.

From tsunamis, to droughts, to earthquakes, to global flu pandemics, our world is marked by a dreadful certainty that we can't stop natural disasters. At most, we can hope to get out of harm's way. But it is in our power to prepare for what will happen again at some point in the future.

From rebuilding Banda Aceh to rebuilding New Orleans, success depends on a strong set of incentives, transparency, and accountability mechanisms. Without them, funds will be squandered, those in need will go wanting, and government credibility will suffer. We've seen improvements to internal controls over the distribution of aid money, but we can't afford to become complacent.

Partnering for progress will be a key to future success. I'd encourage you to look to your right and to your left. Because the person sitting next to you may just have the answers you are looking for here in Vienna.

Thank you for your attention.